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E.O. 11652: GDS

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SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. ELSINORE SUMMIT: THE PLAY'S THE THING

A DANISH SOCIALIST REMARKED AT THE END OF THE ELSINORE
SOCIALIST SUMMIT THAT THE MOST IMPORTANT THING ABOUT IT WAS
THAT IT TOOK PLACE. TWO MAJOR AREAS OF DISCUSSION OCCUPIED
THE DELEGATES:

--ON THE ECONOMIC FRONT, SCHMIDT LED THE FIGHT FOR A
MORE TRADITIONAL, NON-INTERVENTIONIST GOVERNMENT
POLICY, AND WILSON AND PALME FOR A MORE "SOCIALIST"
LINE.

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--POLITICAL DEBATE CENTERED ON THE WISDOM OF SOCIALIST-COMMUNIST ALLIANCES--SPECIFICALLY ON MITTERAND'S DEFENSE, SUPPORTED ONLY BY DE MARTINO, THEREOF. (MARIO SOARES, FOR INSTANCE, HELD THAT THE PCP HAD FORFEITED ANY RIGHT TO A ROLE IN GOVERNMENT.)

EMBASSIES COPENHAGEN AND ROME, AFTER DISCUSSIONS WITH PARTICIPANTS, REPORT THE FOLLOWING HIGHLIGHTS:

--THOUGH THE MEETING DECIDED THAT EACH PARTY MUST MAKE ITS OWN DECISION REGARDING SOCIALIST-COMMUNIST ALLIANCES, SCHMIDT AND WILSON WARNED OF POSSIBLE EFFECTS ON THE EC AND NATO.

--THE DELEGATES DECIDED TO LEND ASSISTANCE TO SPANISH SOCIALISTS AND BROADEN SUPPORT FOR THE PORTUGUESE SOCIALIST PARTY AND THE GOP. (CONFIDENTIAL) COPENHAGEN 230 AND ROME 1037 1/21.)

2. ITALY

A. FOREIGN EXCHANGE MARKET CLOSED

ITALIAN MONETARY AUTHORITIES SUSPENDED UNTIL FURTHER NOTICE OFFICIAL QUOTATIONS AGAINST THE LIRA ON JANUARY 21. BANK OF ITALY DIRECTOR GENERAL OSSOLA TOLD EMBASSY ROME:

--THE MEASURE IS DESIGNED TO CURB SPECULATION AGAINST THE LIRA CAUSED LARGELY BY THE POLITICAL SITUATION ALTHOUGH THE WIDESPREAD PUBLICITY GIVEN TO THE ACTIONS OF THE US COMPTROLLER OF THE CURRENCY WAS A CONTRIBUTING FACTOR.

--SPECULATIVE PRESSURE HAS NOW SHIFTED TO THE FRENCH FRANC.

--A BANK OF ITALY OFFICIAL WILL ARRIVE IN WASHINGTON ON JANUARY 22 TO REQUEST A \$450 MILLION DRAWING FROM THE IMF. (ITALY ALREADY HAS REQUESTED A DRAWING UNDER A US-ITALY SWAP ARRANGEMENT TO COVER ITS FINANCIAL
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POSITION UNTIL THE IMF COMES THROUGH.)

EMBASSY COMMENT: THE CLOSING OF THE EXCHANGE MARKET CANNOT BE FAULTED BY EITHER THE COMMUNISTS OR SOCIALISTS AND SHOULD REDOUND TO THE ADVANTAGE OF THE CHRISTIAN DEMOCRATS AS THEIR CRITICISM OF THE SOCIALISTS FOR BRINGING DOWN THE GOVERNMENT DURING AN ECONOMIC CRISIS IS NOW REINFORCED.

B. ON THE POLITICAL FRONT

MORO AND DE MARTINO MET AGAIN ON JANUARY 20, AVOIDING AN OPEN DC/PSI RUPTURE BUT APPARENTLY PRODUCING LITTLE ELSE. THE EMBASSY REPORTS THAT POLITICAL DISCUSSIONS CONTINUE TO CENTER ON POSSIBLE GOVERNMENT FORMULAS BUT THE SMART MONEY IS STILL ON EARLY ELECTIONS. (CONFIDENTIAL) ROME 973 AND 1032, 1/21.)

3. SPAIN: ARIAS STANDS FAST, PROMISES REFORM

A MASSIVE SHOW OF FORCE BY POLICE COMBINED WITH PUBLIC DISINTEREST TO PREVENT A DEMONSTRATION BY THE "COMMUNIST INFLUENCED" JUNTA DEMOCRATICA AND PLATAFORMA DEMOCRATICA. PREMIER ARIAS, MEANWHILE, OUTLINED HIS POSITION TO THE NATIONAL MOVEMENT JANUARY 19. IN HIS ADDRESS ARIAS:

--SAID THE GOS IS WORKING "CALMLY AND WITH PRUDENCE" ON MEASURES TO MOVE SPAIN FROM A SITUATION CHARACTERIZED BY UNCONDITIONAL PERSONAL ALLEGIANCE TO A NEW DEMOCRATIC FRAMEWORK BASED ON INSTITUTIONAL PARTICIPATION; AND

--NOTING THE NEED FOR "POPULAR APPROVAL," IMPLIED THERE ARE PROSPECTS FOR CONSTITUTIONAL CHANGE AND A REFERENDUM. (LIMITED OFFICIAL USE) MADRID 421, 1/20 AND 459, 1/21.) SISCO

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